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SECURITY ENHANCEMENTS AND PROPOSED NEW CONFERENCE FACILITIES

Funding options for security enhancements

Note by the Secretariat

In compliance with PBC conclusion 2004/5, the present document provides detailed information regarding possible funding sources needed to ensure that the Vienna International Centre responds effectively to headquarters minimum operating security standards (H-MOSS).

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Introduction

1. In document IDB.29/7-PBC.20/7 the Secretariat elaborated on the financing modalities that could be applied for securing the necessary means for security improvement measures. The Programme and Budget Committee discussed the document at its twentieth session and adopted conclusion 2004/5, which, *inter alia*, decided to refer the matter concerning the financing of UNIDO's share to the Board at its twenty-ninth session. To that end, the Committee requested the Secretariat to provide the Member States with detailed information on several funding options, taking into account the diverse views expressed during the current session.

2. In accordance with that conclusion, the Secretariat herewith presents detailed information on the various funding options and on the possibility of drawing on the Working Capital Fund as an interim mechanism. An advance version of the present document was distributed to Permanent Missions with an information note on 5 October 2004. Subsequently, a series of meetings was held during the following week.

I. VOLUNTARY CONTRIBUTIONS

3. In document IDB.29/7-PBC.20/7, the potential utilization of voluntary contributions for financing the security enhancements was presented in detail. While voluntary contributions could theoretically yield immediate cash resources, its feasibility depends to a large extent on the likelihood and timing of necessary donations.

4. This option, as outlined in document IDB.29/7-PBC.20/7, was discussed extensively during the twentieth session of the Committee. In conclusion 2004/5, the Committee noted the importance that all Member States enable UNIDO to finance its share of security enhancements. It is also noted that no commitment has so far been made towards any voluntary contribution for that purpose.

II. RETENTION OF THE UNENCUMBERED BALANCES OF APPROPRIATION

5. Unencumbered balances of appropriation are the difference between regular budget appropriations and actual expenditures in any fiscal period, i.e. budgetary biennium. Such balances mainly arise from the non-payment or delayed payment of assessed contributions by Member States, resulting in the under-implementation of the approved programmes.

6. After determining the level of unencumbered balances for the fiscal period, the amount actually

received in cash becomes due for adjustment to the Member States that have fully paid their contributions for the respective biennium, in proportion to their scale of assessment.

7. According to financial regulation 4.2 (b), the unencumbered balance of the appropriations at the end of the fiscal period shall be surrendered to the Members at the end of the first calendar year following the fiscal period after deducting therefrom any contributions from Members relating to that fiscal period, which remain unpaid, and shall be credited to the Members in proportion to their assessed contributions.

8. Furthermore, financial regulation 4.2 (c) stipulates that at the end of the twelve-month period referred to in regulation 4.2 (b), the then remaining balance of any regular budget appropriations retained shall be reported in detail by the Director-General to the External Auditor for examination and review and, after deducting therefrom any contributions from Members relating to the fiscal period of the appropriations which remain unpaid, shall be surrendered to the Members in proportion to their assessed contributions at the end of the second calendar year following the fiscal period to which the appropriations relate provided, however, that before the respective share of the balance is surrendered to any Member that has outstanding regular budget obligations to the Organization, those obligations shall first be brought to account.

9. In the past, to address important financial constraints, the General Conference had frequently suspended the relevant financial regulations and authorized the retention of unutilized balances of appropriation. A detailed report of such suspensions was included in document GC.8/21 covering the period from 1986 to 1995, i.e. five bienniums.

10. The eighth and ninth sessions of the General Conference did not suspend the relevant financial regulations, but introduced a voluntary aspect by encouraging Member States to renounce their shares of the unencumbered balances of appropriation. Due to a positive response from Member States, significant amounts from the unencumbered balances of appropriation relating to the bienniums 1992-1993, 1996-1997 and 1998-1999 have been utilized for integrated programmes and country service frameworks.

11. In January 2004, further unencumbered balances relating to the bienniums 1992-1993, 1996-1997, 1998-1999 and 2000-2001 amounting to €4,367,691 were distributed to eligible Member States. However, some Member States have renounced their share on a voluntary basis (€1,265,457) for various purposes.

12. It is currently estimated that the cash collections against prior years' arrears, and other adjust-

ments due for distribution in January 2005, unless decided otherwise by the Member States, amount to €1 million.

13. For the biennium 2002-2003, according to current estimates, contributions amounting to €2 million are expected to be received by December 2005, and €1 million for prior bienniums' collections received in 2005, totalling €3 million, which would become available for distribution during January 2006, unless decided otherwise by the Member States.

Table 1. Amounts due to Member States

(In millions of euros*)

Due date	Expected cash collections		Total
	Prior bienniums	2002-2003 biennium	
January 2005	1		1
January 2006	1	2	3
Total			4

* Tentative amounts, as final figure will only be known once accounts are finalized.

14. In considering this option, Member States should take into account the time factor governing accessibility of these balances in accordance with financial regulations 4.2(b) and 4.2(c). The utilization of unencumbered balances would have to be based on a General Conference decision. The dates foreseen for the eleventh session of the Conference (to be decided by the Board at its twenty-ninth session) are 28 November-2 December 2005. Should the Conference at that session decide to release the unencumbered balances, the funds would be at the Organization's disposal in January 2006.

15. It is important to note that this option could provide the full amount since, according to current estimates, sufficient cash would be collected by end-2005. On the other hand, during the twentieth session of the Committee, some Member States indicated institutional obstacles in their national legislation, which would not allow them to support this financing modality.

III. SUPPLEMENTARY ESTIMATES

16. Financial regulation 3.9 provides that "Supplementary estimates for the current fiscal period for the regular and operational budgets shall, when required, be submitted by the Director-General. They shall be prepared in a form consistent with the approved budgets, and they shall be reviewed and approved in

accordance with the procedure laid down for the initial estimates in regulations 3.5 to 3.8 and 3.11."

17. The procedure referred to in regulations 3.5 to 3.8 foresees that supplementary estimates shall be submitted by the Director-General to the Industrial Development Board through the Programme and Budget Committee. The Board shall examine the proposals by the Director-General together with any recommendations of the Programme and Budget Committee and adopt the proposal by a two-thirds majority with such modifications as it deems necessary, for submission to the Conference for consideration and approval. The Conference shall consider and approve by a two-thirds majority the proposal. It may make amendments, however, in accordance with financial regulation 3.11, i.e. by referring the matter back to the Programme and Budget Committee and the Industrial Development Board, should there be anticipated expenditures in connection with the amendments.

18. The entire requirement for security enhancements would constitute a one-line budgetary item under the object of expenditure heading "Security and safety services (UNOV)" within the programme "Contribution to shared services and other indirect costs, Programme H.1" (programme and budgets, 2004-2005, IDB.27/3). Should a supplementary estimate be approved for the subject purpose in accordance with the relevant financial regulations, Member States would be assessed in line with the scale of assessment applicable for the current biennium. The assessment letters would be sent out immediately after the approval of the supplementary estimate according to the schedule in the annex. The contribution level by Member States would vary between €12 and €272,800 (\$14 to \$303,600), subject to exchange rate fluctuations.

19. Supplementary estimates normally cover unforeseen expenditures of a one-time nature and hence would not constitute an increased base level for future budgets. However, Member States should be aware that recurring costs on account of the subject security enhancement measures will have to be added to the next biennial budget for 2006-2007.

20. The approval procedure, as described in financial regulations 3.5 to 3.8 would require the involvement of all three policy-making organs. While the urgency of providing the necessary financing for the security enhancements would require a quick decision, the next regular session of the General Conference will only take place in December 2005. This solution would not result in the collection of contributions before 2006. Therefore, a temporary funding source must be identified. The possible transitional use of the Working Capital Fund is, therefore, described later in the present document. It is, however, important to note that according to current experience, the collection rate of

assessed contributions is around 92 per cent. Therefore, the complete replenishment of the Working Capital Fund cannot be realistically expected.

21. Alternatively, special sessions of the policy-making organs could be convened in accordance with the relevant provisions of the Constitution and rules of procedure. The availability of facilities would need to be determined and required resources for special sessions identified. Costs would depend on various factors, including dates and duration.

22. When considering the option of supplementary estimates, Member States may wish to take into account that the General Conference of the International Atomic Energy Agency (IAEA), at its forty-eighth regular session held in Vienna from 20 to 24 September 2004, approved a supplementary budget appropriation for 2004 for the IAEA for the purpose of financing the Agency's share of the subject security enhancements at the VIC (GC(48)/RES/5).

IV. INTERIM UTILIZATION OF THE WORKING CAPITAL FUND

23. The Working Capital Fund is regulated in financial regulation 5.4 as follows:

"(a) Upon recommendation of the Programme and Budget Committee and, subsequently the Board, the Conference by a two-thirds majority of the Members present and voting shall determine the amount and purposes of the Working Capital Fund;

"(b) The source of moneys for the Fund shall be advances from Members, which shall be made in the proportion of the scale of assessments established by the Conference for the contributions of Members to the regular budget. The advances shall be carried to the credit of the respective Members who made the advances;

"(c) Advances made from the Fund to finance approved regular budget appropriations shall be reimbursed as soon as and to the extent that contributions or advances from Members are available for that purpose;

"(d) Advances may be made only for the purposes and within the terms and conditions determined by the Conference in accordance with subparagraph (a) above. Except when they are recoverable from some other source, the advances may be reimbursed through the submission of supplementary estimates for the regular budget;

"(e) Income derived from investment of the Fund shall be credited to the General Fund."

24. At the second regular session of the General Conference, Member States created the Working Capital Fund with a view to establishing a safety mechanism for the Organization to protect its financial integrity against late- or non-payment of assessed contributions. In decision GC.10/Dec.15 adopted at its tenth session, the General Conference, *inter alia*, authorized the Director-General to advance from the Working Capital Fund such "sums as might be necessary to finance unforeseen and extraordinary expenses ...". Between 1990 and 1998, UNIDO had to make several withdrawals from the Fund so that by June 1997 the Fund was fully depleted. As a result of measures introduced by the Director-General in early 1998, the Fund could be replenished to its established level.

25. Since 1998, the Working Capital Fund remained fully replenished to the level of Member States' advances. As at 31 December 2003, the status of the Fund showed advances from Member States in the amount of €7,325,458, having an unfunded amount of €97,572.

26. Accordingly, the Working Capital Fund was used in the past to serve as a cash reserve against cash shortages created by late- or non-payment of assessed contributions. The approved level of the Fund is equivalent to less than two months of regular budget expenditures.

27. The possible temporary withdrawal of the euro equivalent of US\$ 1.38 million for security enhancements from the Working Capital Fund would increase the exposure of the Organization to the consequences of delays in the receipt of assessed contributions. It would, therefore, be important that the Working Capital Fund be replenished in the shortest possible time either by paying the supplementary assessments without delay, or by transferring the necessary amount from unencumbered balances of appropriations.

V. SUMMARY

28. Table 2 attempts to summarize the various options available to Member States for financing the security enhancements.

VI. ACTION REQUIRED OF THE BOARD

29. The Board is invited to take note of the information in the present document, as well as in document IDB.29/7-PBC.10/7, and to decide on the financing modality for UNIDO that would ensure the Vienna International Centre's effective response to Headquarters Minimum Operating Security Standards (H-MOSS).

Table 2. Summary of funding options

Option	Approval	Authority for Director-General to incur obligations	Pros/cons
I. Voluntary contributions	Individually by Member States	Individually by Member States up to the amount of donations received	Pro: No further PMO involvement needed Con: Unpredictable level and timing; no universality
II. Retention of unencumbered balances	(a) Regular GC session (December 2005)	Temporary withdrawal from WCF	Pro: Full amount available with Organization (estimates) latest by end-2005; full replenishment of WCF Con: Institutional obstacle for some Member States
	(b) Special GC session	GC special session	Pro: Partial funding in 2004-2005 Con: Costly approval; institutional obstacle for some Member States
III. Supplementary estimate	(a) Regular GC session (December 2005)	Temporary withdrawal from WCF	Pro: Ensures collection Con: Reduced level of WCF during 2005; 92% collection in 2006
	(b) Special GC session	GC special session	Pro: Relatively fast collection Con: Costly approval; 92% replenishment of WCF

Annex

SCALE OF ASSESSMENTS FOR APPORTIONMENT OF
SECURITY IMPROVEMENT MEASURES

Member State	UNIDO assessment rate 2004 (percentage)	Contribution amount €	Contribution amount \$
Afghanistan	0.00100	12	14
Albania	0.00426	53	59
Algeria	0.09951	1 234	1 373
Angola	0.00284	35	39
Argentina	1.37752	17 082	19 009
Armenia	0.00284	35	39
Austria	1.34625	16 694	18 578
Azerbaijan	0.00569	71	79
Bahamas	0.01706	212	235
Bahrain	0.02559	317	353
Bangladesh	0.01000	124	138
Barbados	0.01279	159	177
Belarus	0.02701	335	373
Belgium	1.60498	19 902	22 148
Belize	0.00100	12	14
Benin	0.00284	35	39
Bhutan	0.00100	12	14
Bolivia	0.01137	141	157
Bosnia and Herzegovina	0.00569	71	79
Botswana	0.01422	176	196
Brazil	3.39761	42 131	46 886
Bulgaria	0.01848	229	255
Burkina Faso	0.00284	35	39
Burundi	0.00100	12	14
Cambodia	0.00284	35	39
Cameroon	0.01279	159	177
Cape Verde	0.00100	12	14
Central African Republic	0.00100	12	14
Chad	0.00100	12	14
Chile	0.30138	3 737	4 159
China	2.17788	27 006	30 054
Colombia	0.28574	3 543	3 943
Comoros	0.00100	12	14
Congo	0.00100	12	14
Costa Rica	0.02843	353	392
Côte d'Ivoire	0.01279	159	177
Croatia	0.05544	687	765
Cuba	0.04265	529	589
Cyprus	0.05402	670	745
Czech Republic	0.28858	3 578	3 982
Dem. People's Rep. of Korea	0.01279	159	177
Dem. Republic of the Congo	0.00569	71	79
Denmark	1.06477	13 204	14 693
Djibouti	0.00100	12	14
Dominica	0.00100	12	14

Member State	UNIDO assessment rate 2004 (percentage)	Contribution amount €	Contribution amount \$
Dominican Republic	0.03270	405	451
Ecuador	0.03554	441	490
Egypt	0.11515	1 428	1 589
El Salvador	0.02559	317	353
Equatorial Guinea	0.00100	12	14
Eritrea	0.00100	12	14
Ethiopia	0.00569	71	79
Fiji	0.00569	71	79
Finland	0.74207	9 202	10 240
France	9.19202	113 982	126 849
Gabon	0.01990	247	275
Gambia	0.00100	12	14
Georgia	0.00711	88	98
Germany	13.88754	172 206	191 647
Ghana	0.00711	88	98
Greece	0.76624	9 502	10 574
Grenada	0.00100	12	14
Guatemala	0.03838	476	530
Guinea	0.00426	53	59
Guinea-Bissau	0.00100	12	14
Guyana	0.00100	12	14
Haiti	0.00284	35	39
Honduras	0.00711	88	98
Hungary	0.17059	2 115	2 354
India	0.48476	6 011	6 690
Indonesia	0.28432	3 526	3 924
Iran (Islamic Republic of)	0.38667	4 795	5 336
Iraq	0.19334	2 397	2 668
Ireland	0.41795	5 183	5 768
Israel	0.58996	7 316	8 141
Italy	7.20001	89 281	99 359
Jamaica	0.00569	71	79
Japan	22.00000	272 800	303 600
Jordan	0.01137	141	157
Kazakhstan	0.03980	494	549
Kenya	0.01137	141	157
Kuwait	0.20897	2 591	2 884
Kyrgyzstan	0.00100	12	14
Lao People's Dem. Rep.	0.00100	12	14
Lebanon	0.01706	212	235
Lesotho	0.00100	12	14
Liberia	0.00100	12	14
Libyan Arab Jamahiriya	0.09525	1 181	1 314
Lithuania	0.02417	300	334
Luxembourg	0.11373	1 410	1 569
Madagascar	0.00426	53	59
Malawi	0.00284	35	39
Malaysia	0.33407	4 142	4 610
Maldives	0.00100	12	14
Mali	0.00284	35	39
Malta	0.02132	264	294

Member State	UNIDO assessment rate 2004 (percentage)	Contribution amount €	Contribution amount \$
Mauritania	0.00100	12	14
Mauritius	0.01564	194	216
Mexico	1.54385	19 144	21 305
Monaco	0.00569	71	79
Mongolia	0.00100	12	14
Morocco	0.06255	776	863
Mozambique	0.00100	12	14
Myanmar	0.01000	124	138
Namibia	0.00995	123	137
Nepal	0.00569	71	79
Netherlands	2.47073	30 638	34 096
New Zealand	0.34260	4 248	4 728
Nicaragua	0.00100	12	14
Niger	0.00100	12	14
Nigeria	0.09667	1 199	1 334
Norway	0.91835	11 388	12 673
Oman	0.08672	1 075	1 197
Pakistan	0.08672	1 075	1 197
Panama	0.02559	317	353
Papua New Guinea	0.00853	106	118
Paraguay	0.02275	282	314
Peru	0.16775	2 080	2 315
Philippines	0.14216	1 763	1 962
Poland	0.53736	6 663	7 416
Portugal	0.65678	8 145	9 064
Qatar	0.04833	599	667
Republic of Korea	2.63137	32 629	36 312
Republic of Moldova	0.00284	35	39
Romania	0.08245	1 022	1 138
Russian Federation	1.70591	21 154	23 541
Rwanda	0.00100	12	14
Saint Kitts and Nevis	0.00100	12	14
Saint Lucia	0.00284	35	39
Saint Vincent and the Grenadines	0.00100	12	14
Sao Tome and Principe	0.00100	12	14
Saudi Arabia	0.78756	9 766	10 868
Senegal	0.00711	88	98
Serbia and Montenegro	0.02843	353	392
Seychelles	0.00284	35	39
Sierra Leone	0.00100	12	14
Slovakia	0.06113	758	844
Slovenia	0.11515	1 428	1 589
Somalia	0.00100	12	14
South Africa	0.58001	7 192	8 004
Spain	3.58064	44 400	49 412
Sri Lanka	0.02275	282	314
Sudan	0.00853	106	118
Suriname	0.00284	35	39
Swaziland	0.00284	35	39
Sweden	1.45962	18 100	20 142
Switzerland	1.81111	22 458	24 993

Member State	UNIDO assessment rate 2004 (percentage)	Contribution amount €	Contribution amount \$
Syrian Arab Republic	0.11373	1 410	1 569
Tajikistan	0.00100	12	14
Thailand	0.41795	5 183	5 768
TFYR of Macedonia	0.00853	106	118
Timor-Leste	0.00100	12	14
Togo	0.00100	12	14
Tonga	0.00100	12	14
Trinidad and Tobago	0.02275	282	314
Tunisia	0.04265	529	589
Turkey	0.62550	7 757	8 632
Turkmenistan	0.00426	53	59
Uganda	0.00711	88	98
Ukraine	0.07534	934	1 040
United Arab Emirates	0.28716	3 561	3 963
United Kingdom	7.86994	97 588	108 605
United Republic of Tanzania	0.00569	71	79
Uruguay	0.11373	1 410	1 569
Uzbekistan	0.01564	194	216
Vanuatu	0.00100	12	14
Venezuela	0.29569	3 667	4 081
Viet Nam	0.02275	282	314
Yemen	0.00853	106	118
Zambia	0.00284	35	39
Zimbabwe	0.01137	141	157
Total (171 Member States)	100.00000	1 240 000	1 380 000